

# COMPLIANCE AUDIT

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## Adamsburg and Community Volunteer Fire Departments' Relief Association

Westmoreland County, Pennsylvania

For the Period

January 1, 2017 to December 31, 2018

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March 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Donald H. Thoma, President  
Adamsburg and Community Volunteer  
Fire Departments' Relief Association  
Westmoreland County

We have conducted a compliance audit of the Adamsburg and Community Volunteer Fire Departments' Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2017 to December 31, 2018.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the finding listed below and discussed later in this report.

Finding – Untimely Receipt And Deposit Of State Aid

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

March 5, 2020



EUGENE A. DEPASQUALE  
Auditor General

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Adamsburg Borough	Westmoreland	\$ 984	\$ 895*
Arona Borough	Westmoreland	\$ 717	\$ 652*
Hempfield Township	Westmoreland	\$20,866	\$18,965

\* The 2018 state aid allocations received from Adamsburg Borough and Arona Borough were not deposited by the relief association until January 8, 2019 and February 14, 2019, respectively, as disclosed in the finding in this report. In addition, the Arona Borough was to disburse \$652; however, only \$642 was allocated to the relief association as disclosed in the finding in this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Adamsburg and Community Volunteer Fire Department

ADAMSBURG AND COMMUNITY VOLUNTEER FIRE DEPARTMENTS'  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Untimely Receipt And Deposit Of State Aid**

Condition: The relief association did not deposit the 2018 state aid allocation it received from Adamsburg Borough, in the amount of \$895, until January 8, 2019. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 17, 2018, who forwarded this state aid to the relief association on November 7, 2018, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

In addition, the relief association did not deposit the 2018 state aid allocation it received from Arona Borough, in the amount of \$642, until February 14, 2019. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 17, 2018; however, municipal officials failed to forward the state aid allocation to the relief association until February 7, 2019, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Furthermore, Arona Borough was to allocate \$652 to the relief association; however, the relief only received \$642. Therefore, the relief association is still due \$10. Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not ensure the funds were received timely. Upon receipt of the state aid allocation, the relief association deposited the \$642 into a relief association account on February 14, 2019.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely man

Cause: Relief association officials failed to establish internal control procedures to ensure that all income due the relief association was received, recorded and deposited into a relief association account in a timely manner.

ADAMSBURG AND COMMUNITY VOLUNTEER FIRE DEPARTMENTS'  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: As a result of the untimely receipt and deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely receipt and deposits of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials immediately receive and deposit the \$10 state aid allocation due from Arona Borough. We also recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association deposited the \$10 state aid allocation from Arona Borough on March 6, 2020.

Auditor's Conclusion: We reviewed documentation verifying that the state aid allocation of \$10 was received and deposited. Compliance for the timely receipt and deposit of state aid allocations during the next audit period will be subject to verification through our next audit.



ADAMSBURG AND COMMUNITY VOLUNTEER FIRE DEPARTMENTS'  
RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2018

Cash	\$ 71,312
Fair Value of Investments	<u>36,183</u>
Total Cash and Investments	<u>\$ 107,495</u>

ADAMSBURG AND COMMUNITY VOLUNTEER FIRE DEPARTMENTS'  
RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 4,801
Death benefits	1,500
Total Benefit Services	\$ 6,301
Fire Services:	
Equipment purchased	\$ 30,414
Equipment maintenance	2,590
Training expenses	1,764
Total Fire Services	\$ 34,768
Administrative Services:	
Other administrative expenses	\$ 46
Bond premiums	250
Total Administrative Services	\$ 296
Total Expenditures	\$ 41,365

ADAMSBURG AND COMMUNITY VOLUNTEER FIRE DEPARTMENTS'  
RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Adamsburg and Community Volunteer Fire Departments' Relief Association Governing Body:

**Mr. Donald H. Thoma**  
President

**Mr. Jeffrey Siegel**  
Vice President

**Mr. Brian Kuchar**  
Secretary

**Mr. Raymond E. Maffit, Jr.**  
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

**Ms. Jessica Richardson**  
Secretary  
Adamsburg Borough

**Mr. Joseph Levandosky**  
Secretary  
Arona Borough

**Mr. Jason M. Winters**  
Secretary  
Hempfield Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).